

Purpose-driven ESG in the consumer industry: Sustainability as a value-creator

Driven by pressing environmental issues and changing consumer expectations, purpose and trust have become business imperatives that drive value. In this webcast, we explored shifts in the environmental, social, and governance (ESG) landscape. We discussed how embedding ESG into strategy can help consumer organizations engage customers more effectively, launch products successfully, access new markets, and enhance and protect brands to drive long-term growth.



Learning from the past while looking ahead

ESG is not new to the consumer industry—consider conflict diamonds, food safety, child labor, and consumer protection efforts. As the portfolio of ESG expands and the expectations of stakeholders magnify, consumer executives should keep their ESG portfolio under constant review and adapt to the changing business environment.

What are the consumer industry's most pressing sustainability issues today?



Traceability and responsible value chain



Decarbonization/carbon monetization



Responsible design and production



Measurement/reporting

Webcast poll results



42.9% of the respondents picked measurement and reporting as their most pressing issue followed by traceability and responsible value chain at 20.8%.¹

Dispelling perceptions around greenwashing by being more transparent is a top priority.



What's at stake?

Today, driving shareholder value alignment with a broad portfolio of stakeholders. Employees, consumers, customers, and vendors have expectations for consumer-driven companies; how the company delivers against these expectations will help determine long-term viability and value growth.

The evolution of the consumer



Generation: Gen X, Gen Z, and millennials are driving fundamental and ongoing change in consumer behavior, redefining expectations for convenience and perceived value.

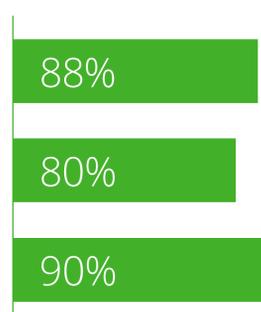


Geography: Just as geography and culture influences consumer tastes, there are distinct differences in environmental awareness in different regions.



Product affordability: Generally, sustainable products are more affordable than they were a decade ago. At the same time, American consumers are still primarily driven by value, convenience, brand, and most importantly, price.

ESG and the bottom line



According to an investment management report, solid ESG practices resulted in better operational performance in 88% of companies, the stock price performance of 80% of companies was positively influenced by good sustainability practices and lowered the cost of capital of 90% of companies, and companies with strong sustainability scores showed better operational performance and were less of an investment risk.²



Purpose, trust, and data

"Back to Consumer 101, it's the right product, at the right price, with the right promotion, and at the right place... now this fifth P of purpose is going to be absolutely critical."

Charles Carrington

Partner, Climate, Sustainability and Equity, Deloitte & Touche LLP

Trust remains fundamental to building and sustaining consumer brands. We need to trust the food we eat, the cars we drive, and the toys that our children play with. As companies become more purpose-centric, and more public with their Purpose Commitments (for example carbon neutrality), progress should be demonstrated to retain customer trust. Measurement is essential using data that can be trusted, verified, and published with confidence.

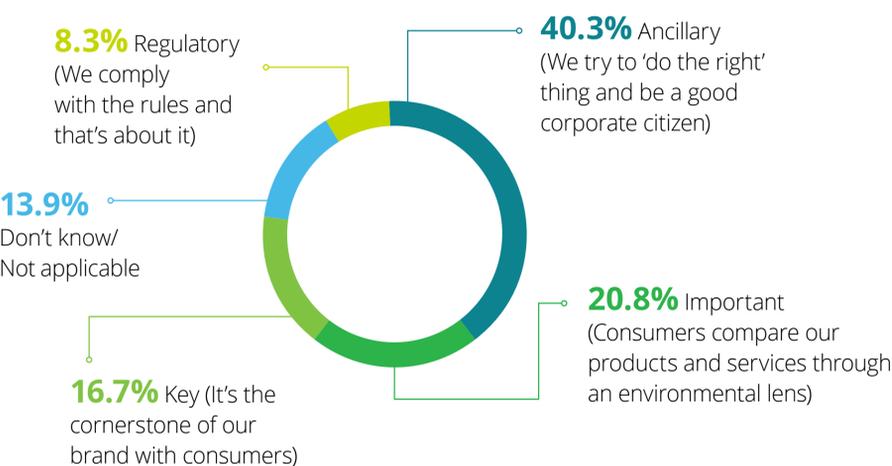


The value of embedding ESG into business strategy

Organizations with sustainability built in—growth strategies, product mix, stakeholder engagement, allocation of projects and portfolios, even M&A transactions—are more likely to perform better and gain measurable benefits.³

Webcast poll results⁴

How embedded is sustainability in your company's strategy?



Embedding ESG into your business strategy can provide a unique understanding of your external environment and expectations of stakeholders, including a broader view of risks. Ultimately, a truly purpose-driven ESG strategy can serve as a strong differentiator, building trust with stakeholders, enhancing consumer engagement, and protecting market reputation—in short, enabling long-term growth while having a positive impact on the greater good.

Let's talk

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1 & 4. Responses from Deloitte's "Purpose-driven ESG in the consumer industry: Sustainability as a value-creator" webcast, January 20, 2022.

2 & 3. "Why strong ESG practices can offer companies a competitive advantage", JH Investments

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